

CHAPTER 5
ALLOTMENT ACCOUNTING PROCEDURES

* 5-1 General. Fiscal accounting records (commitment ledgers, allotment ledgers and transactions registers) will be maintained to record amounts of allotments (including O&MA funds made available by Approved Operating Budgets), commitments, obligations, accounts payable, and net disbursements following generally the policies and procedures stated in AR 37-108. ENG series forms are designed to provide efficient use of various bookkeeping machines in field operating agency offices. Alternative procedures for accounting for commitments are provided in this system. One procedure provides for maintaining a hand-posted commitment ledger and the machine-posted allotment ledger. The other procedure provides for maintaining commitment data on the allotment ledger. Commitment accounting is prescribed for certain military appropriation funds. Commitments to be recorded must be within the definition of a commitment as contained in AR 37-21. A procedure will be selected to be maintained with respect to each particular allotment or program, and so fulfill the objectives of commitment accounting. *

* 5-2 Commitment Ledger.

a. The commitment ledger (ENG Form 3040) is a hand-posted accounting record, maintained at allotment ledger level, the sole purpose of which is to control fund reservations and unobligated commitments (Illustration 5-15/2). Fund reservations are defined in AR 37-108. In general the commitment ledger should be maintained in numerical order by fiscal year by appropriation, budget program, and allotment serial number.

b. Fund reservation or commitment transactions will be recorded directly from individual documents. Advices of Allotment will also be posted directly to the commitment ledger in addition to the required posting to the allotment ledger.

c. Each individual disbursement or accounts payable transaction which increases obligations must first be processed through the commitment ledger to adjust the unreserved balance prior to recording the transaction in the allotment ledger.

d. The current month balance brought forward to column (6) will be determined by adding the unreserved balance as contained in column (8) to the unobligated commitments balance brought forward to column (4) and the fund reservations balance, column (3). The balance brought forward in column (6) represents the amount available for obligation, based on balances recorded in the commitment ledger. The difference between this balance and the unobligated balance contained in the allotment ledger will be adjusted as described in subpara e below.

e. Normally, adjustments which increase the unreserved balance column of the commitment ledger as a result of accounts payable and/or disbursement transactions, will not be processed through the commitment ledger on an individual document basis. Such adjustments generally in-

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significantly increase unobligated and uncommitted balances. They will be made as of the end of the preceding month, by entering, in column (b) of the commitment ledger, the unobligated balance as contained in the related allotment ledger concurrently entering in column (7) the current month amount brought forward (previously recorded in column(6)).

f. When the unreserved balance shown in the commitment ledger is nearing exhaustion (e.g. at the end of a quarter), individual accounts payable and/or disbursement documents (or batches) may be journalized through the commitment ledger and adjustments made as frequently as appropriate in order to disclose the maximum amount available for reservation or commitment.

5-3. Allotment Ledger. The allotment ledger is used for accounting for funds at the allotment number or other accounting classification level, where it is required that records disclose violations of RS 3679 as implemented by AR 37-20. It may be used also for other accounting classifications where it is desired to disclose the unobligated balance of budgetary allowances or targets. When so used, a distribution of funds by the installation commander to budget subproject or other level below the allotment will not be considered a subdivision of funds within the meaning of RS 3679, unless the document making such distribution contains a positive statement such as "obligations incurred pursuant to this authority shall not exceed \$_____without either prior written approval of the issuer or an amendment to this authority." The allotment ledger is also prescribed for use for control accounts when related subsidiary accounts are maintained on that form. In general, the allotment ledgers should be maintained in numerical order by fiscal year, appropriation, budget program and allotment serial number and by program year for PEMA, RDT&E and construction appropriations. Transactions pertaining to the amounts of funds authorized (or authority to obligate) will be posted to the ledger directly from the Advices of Allotment (Sub-allotment) or Revocation or other funds distribution forms. Transactions incurring, increasing or canceling a commitment will be posted to the allotment ledger directly from the individual documents. Commitments liquidated, obligations, accounts payable, and net disbursements will be entered from summary posting run totals developed from postings to related subsidiary allotment ledgers or transaction registers maintained as described below. When no related subsidiary ledger or register is maintained (e.g. a suballotment received for a

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specific job; stock funds) individual commitment, obligation, accounts payable and disbursing documents will be posted directly to the allotment ledger, following the procedure described in paragraph 5-4. When a separate commitment ledger is maintained, the unobligated commitment column of the allotment ledger will not be used. The following forms are prescribed for use as applicable. Although the forms have been designed for use on specific models of machines, use of the forms is not restricted to any particular make or model. Other forms will not be used without specific approval of the Chief of Engineers.

a. ENG Form 2106 Allotment Ledger (Burroughs)
designed specifically for use on Burroughs Corporation Model F-503
Sensimatic bookkeeping machines.

b. ENG Form 3036 , Allotment Ledger (NCR and R
Rand) designed specifically for use on National Cash Register Company
Class 31 bookkeeping machines and Remington Rand Company accounting
and posting machines.

5-4. Transaction Register. The Transaction register is provided for optional use in recording transactions affecting accounting classifications below the level at which allotment ledgers are maintained (paragraph 5-3). In general, the transaction registers should be maintained in numerical order by allotment number and other accounting sub-classification numbers. Transactions incurring, increasing, or canceling a commitment will not be posted to the transaction register but will be posted to the related allotment ledger directly from the individual documents. Commitments liquidated, obligations, accounts payable, and disbursement transactions will be posted to the form directly from the individual documents. At the conclusion of each posting run the totals developed by the bookkeeping machine will be transferred to the corresponding columns of the related allotment ledger. When a separate commitment ledger is maintained the commitments liquidated column of the transaction register will not be used. The following forms are prescribed for use as applicable. Although the forms have been designed for use on specific models of machines, use of the forms is not restricted to any particular make or model. Other forms will not be used without specific approval of the Chief of Engineers.

a. ENG Form 3030 Transaction Register (Burroughs)
designed specifically for use on Burroughs Corporation Model F-503
Sensimatic bookkeeping machines.

b. ENG Form 3038 Transaction Register (NCR and
R Rand) designed specifically for use on National Cash Register Company
Class 31 bookkeeping machines and Remington Rand Company accounting and
posting machines.

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5-5 Control Accounts. A control account will be maintained for: (a) each appropriation and allotment or Approved Operating Budget serial number under which funds have been received from the Chief of Engineers; (b) all suballotments received from the Chief of Engineers; (c) all suballotments received from other sources. Detail posting will be made only to the ledger or register for the lowest accounting classification maintained, with summary amounts developed therefrom posted to intermediate or general control accounts. Similarly, postings to intermediate controls, when maintained, should develop postings to the control account at the next higher accounting classification. Generally, the amounts for such postings can be accumulated automatically as a by-product of bookkeeping machine entry of detail amounts in subsidiary registers or ledgers. Where this is not practicable, prelists, adding machine tapes of totals on subsidiary registers or ledgers, or other manual procedures should be employed.

5-6 Level of Maintenance. Allotment ledgers or transaction registers will be maintained as prescribed above, at the levels indicated in the following tabulation, and to the extent necessary to provide information required for fiscal reporting. These records will not be maintained at lower levels unless specifically authorized by the Chief of Engineers. In the tabulation, under each appropriation, line indentations indicate successively lower accounting classifications into which the next higher classification may be divided.

Allotment Ledgers/Transaction Registers - Level of Maintenance

Accounting Classification

Military Construction, Army

Military Construction, Army Reserve

Military Construction, Army National Guard

Appropriation

Allotment - By Number

Program Year Control

Budget Station Number

Public Law (See Note 1 below)

Reimbursable Order

Military Construction, Air Force

Military Construction, Air Force Reserve

Military Construction, Air National Guard

Appropriation

Allotment - By Number

Budget Authorization Account Number (BAAN)

(See Note 3 below)

Public Law (See Note I below)

Line Item (See Note 2 below)

Procurement of Equipment and Missiles, Army

Appropriation
Allotment - By Number
Program Year Control
Budget Subproject
Program Line Item (See Note 4 below)

Research, Development, Test and Evaluation, Army

Appropriation
Allotment - By Number
Program Year Control
Budget Subproject
Approved RDT&E Project
Reimbursable Order

Operation and Maintenance, Army

Appropriation
Allotment or AOB Currently Available - By Number
Budget Program
Budget Project
Summary Cost Account

Working Funds

General Control
Allotment - By Number

Suballotment Received

General Control
Allotment - By Number

Other Appropriations and Funds

Appropriation
Allotment - By Number
Budget Program
Budget Project
Country

Note 1: Allotment ledgers or transaction registers may be maintained at authorizing Public Law level when supplemental control is considered advisable.

Note 2: Allotment ledgers or transaction registers may be maintained at line item level when specific limitations are imposed.

Note 3: On Air Force package programs where advice of allotment and work authorization are on the same form or are cross-referenced, the allotment is made on a BAAN level to each district. Amounts listed by location under the same BAAN for a package program are to be considered as line items within the district on which interim adjustment

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may be made within the overall authorization for the BAAN upon approval of an initiation of action by the AFRCE to obtain required reprogramming of the AF Form 378. Program year identification is included in the BAAN; therefore program year control account is not required.

Note 4: Where detailed records below budget sub-project levels are maintained independently, the summary data will be recorded in the applicable budget subproject ledger.

5-7 Fiscal Year Procedures. Allotment ledgers and transaction registers covering no-year appropriations may be maintained on a cumulative basis, or balances may be brought forward, and the records maintained on a fiscal year basis, as desired by the installation commander. Where the latter option is exercised, new allotment ledger and transaction register sheets will be established at the beginning of each fiscal year with opening balances as follows (reference columns on ENG Forms 2106 and 3030):

<u>COLUMN</u>	<u>SOURCE OF POSTING</u>
F - Disbursements	No Posting
G - Accounts Payable	Balance of outstanding accounts payable at end of prior fiscal year
H - Undelivered Orders	Balance of undelivered orders at end of prior fiscal year.
I - Cumulative Obligations	No posting. Total is mechanically computed by posting to Columns G & H.
J - Unobligated Commitments, (Allotment ledger only, when used for commitment accounting)	Balance of outstanding commitments at end of prior fiscal year.
K - Funds Authorized (Allotment ledger only)	Unexpended balance (funds authorized less disbursements) at end of prior fiscal year (Col. K Minus F prior fiscal year).
L - Uncommitted or Unobligated Balance (Allotment Ledger only)	No posting. Balance is mechanically computed by entries in various columns. Balance must agree with balance at end of prior fiscal year.

Prior year allotment records will be retained pending financial completion of the allotment account.

5-8 General Ledger Postings. The summary of entries for the month on the appropriation and general control ledgers will be journalized on ENG Form 3007a and posted to the general ledger monthly, as follows:

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a. Disbursements. The total net disbursements for the month will be debited account 4501 and credited to account 3012.

b. Accounts Payable. The net total increase in the accounts payable for the month will be debited to account 4501 and credited to account 3012. A net decrease will be posted to the same accounts in contra.

c. Undelivered Orders. The net total increase in undelivered order; for the month will be debited to account 4501 and credited to account 301. A net total decrease will be posted to the same accounts in contra.

d. Unobligated Commitments. The net total increase in unobligated commitments for the month will be debited to account 4501 and credited to account 4601. A net total decrease for the month will be posted to the same accounts in contra. Where a separate commitment ledger is maintained, general ledger entries relative to net changes in unobligated commitments will be journalized from the commitment ledger.

e. Funds Authorized. No posting will be made from this column to the general ledger, since the amounts of allotments and revocations are accumulated in the Funds Receipt. and Disbursements Register for Summary posting to the general ledger, or by Journal Entry posting to the general ledger for O&MA funds authorized in AOB.

5-9 Documents Recorded in Allotment Accounts. The provisions of pertinent portions of Sections III through IX, Chapter 4, AR 37-108, are applicable as modified herein. In addition to the documents. stated in AR 37-108, bureau vouchers, ENG Forms 3005 and 3006, will be entered as accounts payable. The disbursements recorded in the allotment ledgers will not be reduced by the value of the applicable uncollected accounts receivable; therefore, ENG Form 3006a and other documents representing uncollected amounts due (accounts receivable) will not be posted to the allotment accounts. O&MA fund availability will be entered by means of Journal Entry pursuant to AOB.

5-10 Objective Classification. a. Object class coding of all transactions will be in accordance with AR 37-100, as amplified below.

b. Billings by Revolving Fund.

(1) Amounts will be recorded under the ultimately charged appropriations by the following object classes, as applicable:

- * 1100 Personnel compensation, for all employees paid initially by the Revolving Fund.
 - 1200 Personnel benefits, applicable to code 1100.
 - 2100 Travel and transportation of persona:
 - 2110 U.S. Personnel stationed abroad (IBOP).
 - 2120 U.S. Personnel stationed U.S. traveling abroad (IBOP).
 - 2130 U.S. Personnel travel paid to foreign carriers (IBOP).
 - 2140 Travel of direct hire foreign national personnel (IBOP).
 - 2150 Travel of indirect hire foreign national personnel (IBOP).
 - 2190 All other travel.
 - 2570 Purchased services: includes services rendered by the Revolving Fund not allocated to other objects
 - 2600 Supplies and materials (warehouse issues):
 - 2610 Supplies (except POL, ADP, medical and aircraft).
 - 2620 Aircraft POL.
 - 2630 Ship POL.
 - 2640 Other POL.
 - 2650 ADP Supplies.
 - 2660 Medical Supplies.
 - 3100 Equipment (warehouse issues).
- Individual billings of less than \$5.00 will be classified as 2570. *

(2) For reporting purposes (e. g., report of Obligations by Object Class (RCS CSCFA-212); Manpower Utilization and Requirements Report, DA Form 2153, and supplemental attachments as applicable, RCS CSFOR-78;) the amounts reflected for personal services will include only the obligations and expenditures recorded for "personnel compensation" in the accounts.

(3) (a) Reimbursable orders on the Revolving Fund (DA Form 2544) will be coded under object class 2570.

(b) Estimates of accrued expenditures, other than labor, will be recorded under object class 2570 when more than one object class is involved in the actual transfers (para 7-27). This applies to distributions of plant, equipment and facilities operations, overhead, etc. Estimated labor charge distributions, to be paid initially from the Revolving Fund will be classified as 1100 and 1200.

(c) Subsequent actual cost distributions will be supported by memorandum records reflecting the proper objective class breakdown. These records will be used as the basis for ENG Form 3006 to adjust the estimated expenditure previously entered in the records and to record the actual amounts under the proper objective classes.

c. Bills from offices other than Corps offices will be objectively classified as 2570.

* d. This paragraph relates to object classification of Supervision
* and Administration (S&A) costs of military construction defined and discussed in Chapters 6 and 7.

(1) Total strength, man-months, and corresponding obligations (classes 1100, 1200, 1600, 1700, and 2800) for costs of S&A will be accounted for under the funds charged for S&A distribution, and so reported on DA Form 2153 and supplemental attachments, as applicable. by the office employing the personnel.

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(2) Charges for S&A to account 805 distributed from account 465.806 will be coded under the paying funds as objective classifications 1100, 1200, 1600, 1700, 2110, 2120, 2130, 2140, 2150, 2190, 2570, and 2800, as applicable. Codes 2110, 2120, 2130, 2140, 2150, and 2190 include costs for travel and transportation of persons charged to account 465.802. - from functional accounts (460. - series) as well as direct charges to the S&A account 465.802. -. For the overhead portion, travel will be included in code 2570.

(3) Transfers of balances to Baltimore District, recorded in account 465.807, will be coded 2570 under the paying funds.

(4) Collections of S&A costs from Baltimore District which are treated as appropriation refunds in accordance with para 7-13h(3) will also be coded 2570.

5-11 Program Year Classification

- * a. These instructions apply to commitments, obligations and expenditures under the following appropriations:

Procurement of Equipment and Missiles, Army
Research Development, Test and Evaluation, Army
Family Housing Management Account
Military Construction, Army
Military Construction, Army Reserve
Military Construction, Air Force
Military Construction, Air Force Reserve
Military Construction, Air National Guard

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b. The first digit of the allotment number preceding the operating agency code on each commitment, obligating and expenditure document will reflect the program year regardless of the year in which the transactions actually occur.

c. Adjustments to obligations incurred in previous years will not be separately identified nor reported. They will be combined with all "then current year transactions related to the particular program year affected.

d. Procedures will be locally established to assure that all documents received which authorize commitment or obligation actions (e. g., reimbursable orders accepted; construction or procurement directives received) contain information relative to the applicable program year for citation on commitment obligation and disbursement documents, and other information needed for compiling data to meet reporting requirements.

e. Initial obligations and expenditures applicable to distributive accounts (e. g., cost accounts in the 500, 700 and 800 series) will be coded Program Year 62 and prior. Obligation and expenditure adjustments for distributions of costs will be coded for the applicable program years charged and credited. Since accounting for construction program line items is on a cost accrued (work in place) basis, with obligation data maintained by installation (budget station number), obligations by program line item may be computed for reporting purposes by adding an appropriate proration of the undelivered orders to the funded cost data which is identified by program year (and program line item), see OCE Supplement 1 to AR 37-1 08.

f. Construction line items are identified to the applicable program year in construction directives. For MCA, execution program annexes to the CEOP identify each item to the program year (ER 415-35-1). Commencing with program year 1963, the Air Force provides program year identification of construction line items (MCAF, MCAFR and MCANG, P321, P331, P341, P351) by using a prefix digit in the BAAN. Except for P341, the program year 1962 and prior is identified by the BAAN without a prefix digit; for P341, the prefix digit "2" is used.

g. Planning work, unlike construction, is a continuous activity and (except for Family Housing) is not susceptible to line item identification by program year. Accordingly, advices of allotment will identify the applicable program year, where appropriate. Other pertinent factors to consider are as follows:

(1) MCA (21X2050) P6300 and MCAR (21X2086) P8651. The program year scope will be the dollar value of work funded under the appropriation for a fiscal year. The use of these funds will follow the principle of "first-allotted first-obligated," i. e., funds available under the earliest prior program year will be first cited.

(2) Army Family Housing (21-97X0700) P1841. The fiscal year designation, shown with the appropriation symbol in allotment documents, is the program year.

(3) MCAF (57X3300), MCAFR (57X3730), MCANG (57X3830), P313 and AF Family Housing (57-97X0700) P714.

(a) The program year for Air Force planning funds is denoted by a prefix digit in the BAAN. For P313, BAANs 6-007, 7-008 and 8-009 are program years 1966, 1967 and 1968, respectively. For P714, BAANs 7-006 and 7-008 are program year 1967; 8-008 and 8-009 are program year 1968.

(b) MCAF (57X3300) and MCAFR (57X3730) planning funds are allotted at P313 level without program year (BAAN) identification. The use of these funds by BAANs will be reflected in status of allotment reports.

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h. Obligations which implement programs approved for FY 63 and each subsequent FY will reflect the corresponding year designation in the first digit of the allotment serial number preceding the operating agency code, e.g., "308-." Obligations incurred after 30 June 1962 which are implementing programs approved for FY 62 or prior years will reflect a "2" in the first digit of the allotment serial number preceding the operating agency code.

i. (Rescinded.)

j. Adjustments after 30 June 1962 applicable to obligations incurred prior to 1 July 1962 in MCA, MCAR, MCAF, MCAFR, and MCANG will be coded as Program Year 62, unless specifically directed otherwise.

* 5-12 Administrative Control of Funds.

a. Responsibility.

(1) District/Division Engineers and the heads of other Corps activities are responsible for administrative control of funds and may delegate such control to one or more persons. If delegation is to more than one, responsibility and authority of each should be in writing. If it is to only one person, authority to redelegate should also be included. We recommend delegation to the Comptroller with authority to redelegate. The responsibility redelegated by the Comptroller would be to Chiefs of Divisions and Separate Offices of the District. A sample redelegation to chiefs of other divisions and separate offices would contain similar instructions, modified to fit the particular organization or functions.

TO: Chief, Engineering Division
SUBJECT: Administrative Control of Funds

1. You are hereby delegated responsibility for management and control of all funds contained and approved in the current year operating budget (program to be charged to appropriated funds) for the Engineering Division, including any funds suballocated from other offices of the District. You are responsible for establishing those operational controls necessary to assure that you do not exceed obligation/expenditure limits assigned in your approved program of work. Funds management must take place before execution of the work.

* 2. In the event trends indicate the need to exceed previously established funds limitations, you are responsible for notifying the Comptroller or Program Development Officer for decision to either acquire additional funds, or cease work. These actions must be taken in sufficient time to allow for the securing of additional funds or orderly cessation of work.

3. The Finance and Accounting Office will provide you with status reports on funds utilization. Also, prior to incurrence of contractual obligations, certification of funds availability must be obtained from the F&AO. For detailed instructions on administrative control of appropriated funds, see District Regulation No. 37-1-1, dated 1 July 1977.

(2) Authority to certify funds availability will be delegated to the Finance and Accounting Officer by the Installation Commander. This delegation will be by inclusion in FOA local regulation. The F&A Officer must redelegate this authority in writing to other F&A personnel who may certify in his/her name. The F&A Officer may also redelegate this authority, up to limits of bulk commitments issued to others such as Project Engineers, where such procedures are in effect.

b. Legislative and Administrative Limitations.

(1) The applicable provisions of AR 37-20 and OCE Supplement to AR 37-20 will be followed without deviation.

* (2) Reports of violation will be submitted in accordance with the provisions of AR 37-20 as implemented by OCE Supplement to AR 37-20, to HQDA (DAEN-RMF) WASH DC 20314.

(3) The following clarification has been issued by the Comptroller of the Army in regard to reportable violations of Section 3679, RS, on overrun of estimates for reimbursable work performed by Revolving Fund, Corps of Engineers, Civil. In instances where funds are obligated on an estimated basis in the project accounts to reimburse the Revolving Fund for actual charges incurred for maintenance and operation of equipment, financing of common inventories, etc., it has been determined by the Comptroller of the Army that if the actual charges exceed such estimates, no reportable violation of Section 3679, Revised Statutes, occurs until or unless such excess is billed against such project. The Comptroller of the Army has pointed out, however, that the practice of allowing or incurring costs in the Revolving Fund in excess of fund limitations imposed on an' given project is considered contrary to sound management practices.

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(4) While the above ruling allows each installation and activity time in which to obtain additional funds to cover the lack of project funds due to underestimating of such charges as cited in subparagraph (3) above, it does not necessarily allow large amounts to remain unbilled in the Revolving Fund for a long period of time due to lack of proper funds. Care should be exercised in the application of the ruling to maintain financial management on a sound basis. It is recognized, however, that reimbursable work on an estimated basis cannot always be performed in any given month to or within an exact amount.

(5) There is nothing contained in subparagraphs (3) and (4) above which should be construed as authorizing the commencement of work prior to the receipt of an allotment of funds. Neither should it be construed that work may continue beyond any month where the estimate for the previous month has been exceeded and funds are not available in the project to continue the reimbursable work. Whenever it becomes apparent that work requirements are in danger of exceeding project funds, work should be halted until additional funds are made available. Estimates for reimbursable work to be performed by the Revolving Fund for a given month must be made at the beginning of the month and must be realistic to cover the work to be performed. Sufficient funds must be available in the project for the estimated work to be performed, and the work performed must be within the scope of work covered by the estimate.

* c. Prevalidation of Documents.

(1) General. Normally the Finance and Accounting Officer will delegate to an assistant having ready access to the commitment ledgers or allotment ledgers authority in writing for certifying to the propriety and availability of funds cited.

(2) Prevalidation of Commitments. A minimum of two copies of every commitment document will be submitted to the Finance and Accounting Officer for prevalidation as to propriety and availability of funds cited prior to recording a commitment. If the funds cited are proper and available, a certificate to that effect will be placed on two copies of the commitment document. The certificate may be rubber stamped on the commitment document and will conform generally with the certificate used on Miscellaneous Commitment Document, ENG Form 3039. The rubber stamp should also provide space for insertion of month and year of liquidation of the commitment. One of the certified copies will be initialled and immediately recorded in the commitment ledger or the allotment ledger as applicable and the other certified copy will be signed and returned to the originator. If the funds cited are not proper or available, a statement to that effect will be placed on one copy of the document and both copies will be

returned to the originator. If it is locally determined that immediate entry of the commitment is not essential to the purpose of commitment accounting, commitment documents may be accumulated and posted on a daily basis. Amounts to be committed will be determined in accordance with the criteria stated in AR 37-21.

(3) Prevalidation of Obligations.

(a) Obligating documents preceded by commitment documents will not require prevalidation. Three copies of such obligating documents will be furnished the Finance and Accounting Officer for accounting purposes. Two of the copies will be used in the processing of vouchers for disbursement and will be a part of the original and the disbursing officer's copy of the disbursement voucher, as provided in par 4-7h(2)(c). The third copy of each obligating document will be the basis for entering the obligation in the transaction register and allotment ledger. The originator of the obligation will cite the commitment document number involved in a conspicuous place on this copy of the obligating document. Concurrent with the establishment of an obligation, the related commitment is liquidated. To facilitate recording this action, a rubber stamp will be placed on the third copy of the obligating document, reading substantially as follows:

Obligate \$XXXXXX
Commitment Liquidated \$XXXXXX
Commitment Document No. _____

Initials -- (Of employee making above determination).

(b) Obligating documents not preceded by commitment documents will be prevalidated as to propriety and availability of funds cited prior to recording as an obligation. Four copies of such obligating documents will be submitted to the Finance and Accounting Officer. If the funds cited are proper and available a certificate to that effect will be placed on two copies of each obligating document. One certified copy will be returned to the originator and the other certified copy will be used as the basis. for recording the obligation in the Transaction Register or Allotment Ledger. The two uncertified copies of the obligating document will be used in the processing of vouchers for disbursement and will be a part of the original and the disbursing officer*s copy of the disbursement voucher, as provided in par 4-7h(2)(c) of this regulation. If the funds cited are not proper or available, a statement to that effect will be placed on one copy of the document and all copies will be returned to the originator.

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* d. Commitment Accounting. (1) General. The principles contained in these procedures are consistent with AR 37-21 and are applicable to the appropriations listed in para 5-11a(1), this regulation. Commitment accounting will be maintained at allotment, suballotment, or other funding level at which a violation of Section 3679, Revised Statutes may appear. Commitments are firm administrative reservations of funds based upon specific documentation authorizing the creation of an obligation without further recourse to the official responsible for certifying the availability of funds. It is not intended that every obligation be preceded by a commitment (AR 37-21); however, it is mandatory that necessary adjustment be made to the pertinent uncommitted balance record prior to or concurrent with the recording of an obligation. Where a separate commitment ledger* procedure is followed, such adjustment may be summarized in bulk total for each posting run. The point at which a commitment becomes a valid obligation is governed by the provisions of AR 37-21.

(2) (Rescinded)

(3) Miscellaneous Commitment Documents. Commitments for which no specific form is available will be documented on ENG Form 3039 Miscellaneous Commitment Document (Illustration 5-11/1). This form will be initiated by the official requesting a firm administrative reservation of funds. It will be submitted in the original and one copy to the employee designated by the Finance and Accounting Officer to approve such requests. Upon approval the original will be signed for the F&AO and returned to the initiator and the copy will be initialed and recorded in the commitment or allotment ledger.

(4) Unobligated Commitment Files. (a) Upon recording a commitment, the document will be filed pending receipt of an obligation document (or documents) in liquidation of the commitment. A file of unobligated commitment documents will be maintained for each separate allotment ledger. Within each file the documents will be filed by class of document (e.g. requisitions; requests for travel; miscellaneous

commitment documents), and within each document class by consecutive numerical sequence (e.g., reqn 57-20; 57-23; 57-29; requests for travel OVHVF 57-2; OVHVF 57-17; MCD 57-2; 57-19). Upon liquidation of a commitment (by an obligation) the unobligated commitment document will be withdrawn from file and attached to the related obligating document, or cross referenced by month and year liquidated and filed in a commitments liquidated file maintained by fiscal year, class of document, and consecutive numerical sequence within each document class.

(b) The documents in the unobligated commitments file will be reviewed monthly for validity and assurance that continuance of the commitment is justified. Follow-up action will be taken to obtain obligating documents from the source which initiated the commitment action when such action is considered warranted (e.g. , request for travel not obligated after travel was scheduled to commence).

(c) Unobligated commitments pertinent to allotments not available for obligation after the close of the fiscal year will be cancelled at the end of the fiscal year as provided in AR 37-108.

e. Obligation Accounting.

(1) General. The prerequisites for determining and recording obligations under the provisions of Sec. 1311, PL 663 and DOD Directive 7220.6 are contained in AR 37-21.

* (2) Citation of Fiscal Year Limited Appropriations On Contracts.

(a) The provisions of this section apply only to contracts that cite one year or multiple year appropriations that expire for obligation at a specified time. The provisions of AR 37-21, paragraphs 2-10a(1) through (5), 55 Comp. Gen. 768 (B-132900), 61 Comp. Gen. 610 (B-195732), 31 U.S.C. 1502, PL 96-436 (military only) and the guidance in the succeeding subparagraphs apply to contracts that cite these fiscal year limited appropriations, and exceptions thereto.

(b) When a contract is awarded it must include a citation to the appropriation(s) which is/are to be obligated. Once obligated no new appropriation may be added to the contract except by supplemental agreement covering new work outside the basic contract scope. For example, a contract was awarded citing FY 83 OMA funds, symbol 2132020. The three denotes this fund is available for obligation in Fiscal Year 1983. Since it is a limited year appropriation, change orders, overruns, changed conditions and similar adjustments throughout the life of the contract must cite the same appropriation no matter when they occur. OMA funds appropriated in FY 84 or 85 etc. may not be legally obligated under this contract for in scope price adjustments. The same principle applies to obligation authority received by reimbursable

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* order. Limits applicable to the ordering appropriation govern. Statutory and Comptroller General Decision exceptions to this principle have been made in the case of contracts citing military construction appropriations and in certain cases involving discretionary cost increases to a cost-reimbursement contract. These exceptions are covered in the succeeding paragraphs.

1 10 U.S.C. 2860 contains the following provision:

"(a) Subject to the provisions of appropriation Acts and except as otherwise provided under subsection(b), any funds appropriated to a military department or defense agency for the construction of military projects may be obligated for a military construction project or contract, or for any portion of such a project or contract, at any time before the end of fourth fiscal year after the fiscal year for which funds for such project were appropriated if the funds obligated for such project (1) are obligated from funds available for military construction projects, and (2) do not exceed the amount appropriated for such project, plus any amount by which the cost of such project is increased pursuant to law.

"(b) Should a requirement develop to obligate funds for a military construction project after the end of the fourth fiscal year after the fiscal year for which such funds were appropriated, such obligation may be made after the end of the 21-day period beginning on the date on which the appropriate committees of Congress receive notification of the need for such obligation and the reasons therefor."

The above cited section provides the necessary authority to permit citation of more than one fiscal year military construction appropriation on a contract for in scope change orders, quantity variations, changed conditions, etc. This means that an MCA (or any other military construction appropriation) funded project or contract may be funded from more than one fiscal year appropriation.

2 Comptroller General Decision B-195732, dated 23 September 1982 (61 Comp. Gen. 610), modifies the previous decision rendered on 11 June 1980 (59 Comp. Gen. 518), concerning the proper appropriation to charge for a cost overrun of a cost-plus-fixed-fee-contract. The principle established that a fiscal year limited appropriation may only be charged for contracts executed to meet the bona fide needs of that year is not changed. However, where there are discretionary cost increases in a cost-reimbursement contract the guidance is as follows:

Discretionary cost increases in a cost-reimbursement contract which exceed contractually stipulated ceilings, and which are not based on an antecedent liability, enforceable by the contractor, may be charged to *

* either the funds current when the discretionary increases are granted or the funds cited on the original contract, at the option of the FOA affected. Similar increases which do not exceed a contractually stipulated ceiling must be charged to the funds cited on the original contract. *

* (3) Intradistrict Transactions.

(a) Except as modified by (b) below, an obligation to cover anticipated billings from the Revolving Fund (or other fund - see para 7-7, this regulation) for labor, travel, transportation services, equipment usage, overhead and other estimated costs will be established on a miscellaneous obligation document for each project at the beginning of each month. Individual billings received during the month will be recorded thereon as liquidations. After the final (actual or estimated) cost distribution from the Revolving Fund (or other fund) for the month has been recorded as an accrued expenditure in the allotment account and the amount liquidated on the obligation record, any unliquidated balance of the estimated obligation will be cancelled.

(b) In any month except the final month of each fiscal quarter if local controls are considered by the District Commander to be sufficient to preclude overobligation of project funds without the recording of estimated obligations for each project at the beginning of each month, obligations and accrued expenditures may be recorded simultaneously on the bases of cost distributions. Interim reports on obligations which may be prepared during a month will include estimated amounts of obligations for payrolls and other Revolving Fund (or other fund) charges expected to be chargeable to projects through the end of the month being reported regardless of whether the obligations have been recorded in the allotment accounts.

(c) Obligating military construction engineering and design (E&D) and supervision and administration (SM). Instructions which follow apply only to installations that have the Civil Works Revolving Fund.

1 Engineering and design. Allotments available for E&D work under no-year appropriations will be obligated for the estimated total costs of E&D by Government forces (direct costs, indirect technical costs, and overhead) financed initially by the Revolving Fund. For such work under an annual appropriation, the obligation will be for only the estimated Government forces E&D to be performed in the one fiscal year. The obligations will be recorded in accordance with the following:

a E&D of a line item by contract. The Government forces E&D portion of the approved phase (budget sketches and estimates, preliminaries, finals) of E&D will be obligated at the time related A/E contracts or modifications are obligated. For example, when an A/E contract covers budget sketches and estimates, only the estimated Government forces E&D applicable to that phase will be obligated; later, when the A/K contract is extended to cover design, the estimated Government forces EM) applicable to that phase will be obligated.

b E&D of a line item with Government forces. When decision is made to accomplish a phase of E&D of a line item with Government forces-, the estimated cost of the phase will be obligated at the time the phase is ready to begin. For example, when the phase covering budget sketches and estimates is ready to begin, the amount of the currently approved working estimate (CWE) therefor will be obligated. Likewise, when criteria from the using service have been received and design is ready to begin, the amount of the approved CWE for the authorized design phase will be obligated. If design of a line item is interrupted for a significant. period of time, funds obligated therefor should be released for use on other items that are ready to proceed.

c Engineering costs for checking shop drawings will not be obligated until the construction contract is obligated. Engineering costs applicable to contract modifications will be obligated when need for modification engineering materializes.

*

2 Supervision and administration. Funds available for contract construction work under multi-year appropriations will be obligated for the estimated cost of SM to be incurred during the remaining period these funds are available for obligations when the related contracts or modifications are issued. When contract work extends past the period available for obligations, an obligation for that period will be established when funds for that period are received. For such work under an annual appropriation the obligation will be for only the estimated S&A for one fiscal year. When the contract work extends into the next fiscal year, an

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obligation for S&A will be established when the next fiscal years funds are available for obligation. In those cases where contractor claims are recognized and settled after the work is physically complete and the funds cited in the contract have since expired, the claim settlement is considered an obligation adjustment. It is also appropriate to consider the uniform military SM charge an obligation adjustment. Such charge for S&A would be charged to the same fund as the claim settlement itself.

*

3 Order on the Revolving Fund. Except as provided in last sentence of a below, the obligation will be based on DA Form 2544, Intra-Army Order for Reimbursable Services.

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a A separate order will be prepared for the amount of Government forces E&D for all line items within a single planning fund entity (e.g., program year for MCA; BAAN for MCAF) or for each line item, to cover both the E&D performed in-house and the Government forces E&D related to A/E contracts. A list of all line items within a fund entity with CWE amount for each approved design phase will be attached to the order or amendment thereto. The total of all such CWE amounts for approved design phases will be obligated as one amount. Liquidations, representing cost distributions from the Revolving Fund to a fund entity, or line item, will be applied to each such order. Amendments to the order should be processed when CWE*s for approved design phases are revised, new phases of design are approved, or design items are deleted or deferred. Engineering costs for modifications for which the engineering effort is not expected to exceed \$500 each may be obligated in accordance with subpara 5-12e (3)(a) or (b), rather than by use of DA Form 2544.

b It may be practicable to prepare only one order for the S&A of contract construction for each line item. Where this is impracticable, a separate order will be prepared for the S&A applicable to each contract.

c The classifications "Funded" and "Automatic" in block 1 of the form will be left blank. The organizational element responsible for supervising and administering the E&D or the construction will be shown in block 4, and block 7 will be executed by a responsible official of that element. "Revolving Fund, CE, Civil (office)" will be shown in block 5. The order will be accepted in block 11 by an appropriate member of the Comptroller staff.

* (4) Orders on Civil Works Revolving Fund for S&A. Instructions which follow apply only to offices which do not have the Civil Works Revolving Fund and which have construction projects operated under the uniform S&A rate procedure (e.g., Europe Division). Such offices will prepare and accept reimbursable orders (DA Form 2544) on the Revolving Fund for estimated S&A services as outlined in para 5-12e(3)(c) above, in view of the accounting relationships established between the Revolving Fund and the Military Construction projects operating under the uniform S&A rate procedure. These orders will be limited to projects operating under the Corps-wide S&A rate; they will be adjusted monthly to equal estimated project unliquidated S&A obligations (undelivered orders) beyond the end of the current month with allowances (reductions) for obligation amounts applicable to other than the Revolving Fund, so that the total is realistic.

- * (5) Inter-district DA Forms 2544. These forms will include in block six the ultimate six-digit ENG Form 3018b or seven-digit ENG Form 3018c report item code that will be used by the ordering district. This information will enable the performing district to properly identify the ultimate appropriation to be charged as well as to assure the proper categorization of costs of services rendered on its ENG Form 3018b or c, as appropriate. For example, the ordering district will ultimately report the work as ENG Form 3018c item code 23111A2 and will so indicate on the DA Form 2544. The performing district can then properly identify the ultimate appropriation as Military Construction, Army and code its ENG Form 3018c costs as 44111A1 to properly show the work as direct funded engineering effort relatable to construction.

- * (6) (Reserved)

- * (7) Rental Agreements - Nominal Consideration. When the consideration stated in a rental agreement is a nominal amount (\$1.00 - \$50.00) the full amount will be obligated against funds available upon execution of the agreement. When the consideration is more than \$50.00 the provisions of paragraph 2-8g(1) or (2), AR 37-21 will be followed -- the selection of method depending upon availability of funds within the operating programs.
- * (8) Travel. Under the option in para 2-20a(3), AR 37-21, estimated amounts for travel orders will be obligated at the time the orders are issued; all other provisions of para 2-20, AR 37-21 will be observed.
- * (9) Severance Pay (PL 89-301). Basis for obligating a military appropriation will be DA Form 3717, Miscellaneous Obligation Document obtained from the personnel officer. An appropriate notice from the personnel officer to the finance and accounting officer concerning the employment status, will serve to modify the unpaid obligations.
- * (10) Return of Materiel to Inventory. Fund credits received for materiel returned to an inventory in the Army Supply System will be accounted for as reductions in obligations as provided in para 7-113, AR 37-108, by reduction of accounts payable. Informal control over such returns will be maintained as provided in para 7-114, AR 37-108.
- * (11) Utilization of Prior Year Single Year Funds. The greatest utilization will be made of the carry-over unobligated balance, and the amounts of deobligations and downward adjustments in obligations pertaining to a prior year single year appropriation. Current year funds will not be used to cover obligations legally chargeable to prior year funds. Examples of conditions under which prior years* funds may be obligated follow:
 - (a) Adjustment due to accounting errors.
 - (b) Obligations legally chargeable to prior year funds which were not obligated during the applicable fiscal year.
 - (c) Obligations erroneously charged to another appropriation.
 - (d) Contract adjustment where the scope of the contract is not changed.

* (12) Miscellaneous Obligation Documents. Certain items, such as personal services, communication services, some intra-government transactions, etc., are of such a nature that no specific document is readily available for recording as an obligation. When required, each obligation of this type will be documented on a Miscellaneous Obligation Document, DA Form 3717, which will be numbered serially commencing with No. 1 at the beginning of each fiscal year. In every instance it will be initiated by an individual who is in a position to make an accurate estimate of the amount of the obligation, signed and forwarded to the Finance and Accounting Branch for entry to the allotment ledger. This form, when prepared in accordance with the foregoing, constitutes the written administrative determination specified in AR 37-21.

* (13) Unpaid Obligations Files. (a) General. Files of unliquidated obligation documents will be maintained in the Finance Accounting Section by allotments to support the "Undelivered Orders" and "Accounts Payable" columns of the allotment ledger. Periodically, all unpaid obligating documents (undelivered orders and accounts payable) will be examined to determine that the amounts represented thereby are properly stated and are supported by documentary evidence as required by Section 1311, Public Law 663, 83rd Congress, as implemented by AR 37-21. To insure the validity of obligating documents at the end of a fiscal year, a complete (100%) examination will be made beginning no earlier than 1 Aug and completed no later than the closing of books as of 30 September.

(b) Undelivered Order Files. These files will be composed of copies (copy No. 2 para 5-12c(1) of contracts, purchase orders, travel orders, partial payment records, and other obligating documents authorizing the performance of services or the delivery of articles which have not been accomplished. Documents will be placed in the file when they have been certified in accordance with para 5-12(3)(b) and posted to the allotment ledger. Documents will be removed from the file when the related bureau voucher evidencing accomplishment is prepared and posted to the allotment ledger. In the case of partial delivery or performance, the value thereof will be entered in the expenditure column of DA Form 3717, the unliquidated balance computed and the form replaced in the file.

(c) Accounts Payable Files. These files will consist of (1) incomplete bureau voucher jacket assemblies and (2) copies of obligation documents representing completed assemblies in process of audit and payment. Each bureau voucher will become the basis of a jacket assembly in which will be placed the receiving report, earnings estimate, purchase order, invoice or other related documents, (see para 4-7). Bureau voucher jackets will be assembled and placed in the file when the bureau voucher has been posted in the allotment ledger. They will be removed from the file and replaced with a copy (No. 2) of the obligating document when the related invoice is ready for

audit and payment. The copy of the obligating document will be removed from the file when the related disbursement voucher is posted to the allotment ledger.

5-13 Reconciliation of Ledger Account Balances with Supporting Documents. Periodic reconciliations will be effected as follows:

a. Undelivered orders documents will be inventoried once each month. The total of the inventory pertaining to an allotment will be verified with the undelivered orders balance contained in the corresponding allotment ledger. The sum total of all inventories of undelivered orders documents will be verified with the balance contained in General Ledger Account 4801, Undelivered Orders.

b. Unobligated commitment documents will be inventoried once each month. The total of the inventory pertaining to an allotment will be verified with the unobligated commitment balance contained in the corresponding allotment ledger (or commitment ledger where a separate commitment ledger is maintained). The sum total of all inventories of unobligated commitment documents will be verified with the balance contained in General Ledger Account 4601, Unobligated Commitments.

d. Accounts Payable documents will be inventoried monthly, as provided in paragraph 4-7g.

5-14 Year-end Status of Project Orders. The unliquidated obligations (undelivered orders plus accounts payable) represented by project orders will be analyzed as of 30 Sept of each fiscal year for each general and special appropriation, and the following data will be shown as a footnote on the last page of the status of allotment report for the month of Sept:

a. The amount which represents obligations to the public or to other appropriation accounts \$_____

b. The amount which has been obligated by reason of the issuance of a project order, but which has not yet been obligated to the public or to other appropriation accounts by action of the performing installation \$_____

c. The total amount of unliquidated project order obligations (items 1 and 2 above) \$_____

5-15 Forms. The integration of formal commitment accounting into the accounting system contemplates the use of the following additional forms. Supplies of these forms will be requisitioned through normal supply channels.

a. ENG Form 3039, Miscellaneous Commitment Document (Illustration 5-15/1).

b. ENG Form 3040, Commitment Ledger (Illustration 5-15/2).

COMMITMENT LEDGER							PAGE NO. 1	
ACCOUNTING DESCRIPTION (Appropriation, Allotment, Program, etc.)								
57X3360		077-2223		P-321	Theo Gressel AFB	BAAN 111		
LINE NO.	DATE	REFERENCE	FUND RESERVATIONS	UNOBLIGATED COMMITMENTS		AVAILABLE FOR COMMITMENT OR RESERVATION		UNRESERVED BALANCE
				AUTHORIZED	LIQUIDATED	INCREASES	DECREASES	
1	March 3 1958	14-127 No. XXX				1100		1100
2	17	DA Form 662 No. XXXX		20				1080
3	18	Reqn No. XXXX		75				1005
4	24	P. O. No. XXXX			75	5		1010
5	28	Letter of Request dated XXXX	5					1005
6	31	Petty Cash Reimbursement Voucher No. XXXX					2	1003
7		TOTALS	5	95	75	1105	2	1003
8	April 1 1958	Brought Forward	5	20		1028		1003
9	1	MCD NO. XXXX		165				838
10	3	Reqn No. XXXX		35				803
11	9	Contract No. XXXX			165	5		808
12	10	March 31, 1958, Unobligated Balance in						
13		the allotment ledger				1038	1028	810
14	30	Petty Cash Reimbursement Voucher No. XXXX					7	811
15		TOTALS	5	220	165	2071	1035	811
16	May 1 1958	Brought Forward	5	55		871		811
17				Explanation of Transactions				
18				Line 1 - Allotment received; Line 2 - request for travel committed; Line 3 - requisition committed; Line 4 - obligation incurred for \$70.				
19				liquidating a \$75 commitment; Line 5 - reserved for administrative contingencies; Line 6 - disbursed without prior commitment; Line 7 - self-				
20				explanatory; Line 8 - balances of columns 3, 4 and 5 (net), and 8, brought forward. Amount in column 6 is developed by totaling amounts brought				
21				forward in columns 3, 4, and 8; Line 9 - commitment incurred for pending contract change order; Line 10 - requisition committed; Line 11 -				
22				contract change order issued for \$160, commitment liquidated \$165; Lines 12 and 13 - adjustment to column 8 made based on unobligated balance in the				
23				allotment ledger as of 31 March 1958, reversing line 8 column 6 entry by entry in column 7 and entering in column 6 the proper unobligated balance as				
24				of 31 Mar; Line 14 disbursed without prior commitment; Line 15 self explanatory; Line 16 - same as Line 8.				
25				Note:				
26				Normally this ledger will be maintained by manual posting. This illustration has been typewritten to permit greater legibility of reproduction				
27								